

GAO

United States General Accounting Office

Report to the Commission
U.S. Customs Service

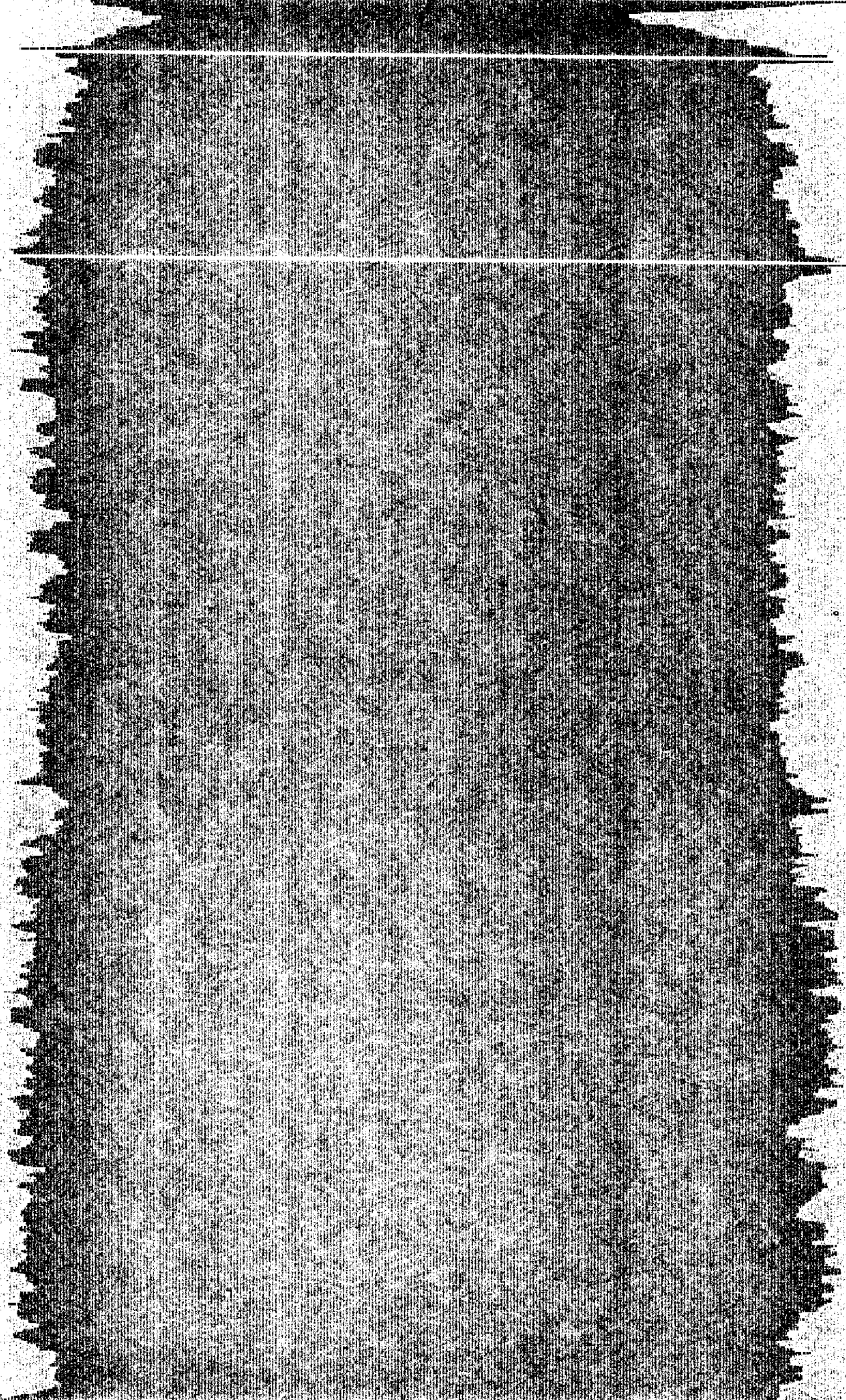
November 1982

FINANCIAL MANAGEMENT

Customs'
Accountability for
Seized Property and
Special Operation
Advances Was Weak



GAO/IMB-82-117





United States
General Accounting Office
Washington, D.C. 20548

Accounting and Information
Management Division

B-252376

November 22, 1993

The Honorable George J. Weise
Commissioner
U.S. Customs Service

Dear Mr. Weise:

This report presents the results of our review of the U.S. Customs Service's accountability and stewardship for currency, drugs, and property seized (seized property) in carrying out the agency's law enforcement program. It also addresses Customs' safeguards for controlling funds advanced to Customs agents for the law enforcement program's special operations. Customs' inventory records showed that \$823 million in property had been seized in fiscal year 1992, and that \$541 million of seized property was on hand as of September 30, 1992. At that time, Customs also reported outstanding special operation advances of \$19 million. Our review was performed as part of our audit of Customs' fiscal year 1992 financial statements pursuant to the Chief Financial Officers Act of 1990 (Public Law 101-576). Under the act, Customs is 1 of 10 pilot agencies required to prepare financial statements and have them audited. This is one of several reports on various aspects of Customs' operations resulting from our 1992 financial statement audit.

Our review showed that millions of dollars in cash and luxury items and tons of illegal drugs were vulnerable to theft and misappropriation because Customs did not adequately safeguard this property. Customs has devoted considerable attention to its seized property program activities, and policies and procedures have now been put in place to help ensure proper accountability and stewardship. However, the requirements were not always met. Customs often did not ensure (1) prompt transfer, deposit, or disposal of seized property, (2) proper processes to weigh, count, and test seized drugs, and (3) adequate facilities and sufficient access restrictions to protect stored items. These practices led to large quantities of cash and drugs being on hand for long periods, which increased risk of pilferage, misuse, and loss.

Also, Customs' inventory records to control and manage seized property and prepare agency financial reports were incomplete and inaccurate. These records (1) did not include large quantities of seized property, (2) showed incorrect location data for some items, (3) included erroneous values, such as those for counterfeit items, and (4) included transactions

recorded in the wrong period. Our analysis of fiscal year 1992 seizures showed that Customs' recorded amount of \$823 million was overstated by \$138 million because Customs included items of which it never took possession. Also, our analysis of over half of the recorded value of remaining fiscal year 1992 seizures showed these items to be overvalued by \$217 million, or 57 percent. Further, our analysis of about half of the recorded value of seized property on hand as of September 30, 1992, showed these items to be overvalued by \$113 million, or 44 percent.

As a result of our work and other problems Customs found, it made net adjustments of about \$281 million to its fiscal year 1992 seizures amount and net adjustments of \$52 million to its September 30, 1992, seized property inventory records. After the adjustments, Customs reported \$542 million in fiscal year 1992 seizures and an ending balance of \$489 million in seized property in its Principal Statements as of September 30, 1992. However, Customs did not identify and provide to us its support for the adjustments made.

Further, Customs did not adequately control millions of dollars in funds advanced to Customs agents for special operations or the sensitive documents related to these advances. The Office of Enforcement's field offices did not promptly or consistently report how advanced funds were spent, which hampered timely reconciliation between Customs' general ledger accounts and detailed records of advances. As a result, Customs' records of the outstanding advances and the related expense were incorrect and, at the end of fiscal year 1992, a net reduction of \$18 million was required to adjust the general ledger account balance for outstanding special operations advances to reduce its \$37 million balance before the adjustment to \$19 million.

We are recommending that Customs' top managers enforce existing policies and procedures for (1) safeguarding seized property, (2) maintaining accurate financial data on seized property inventory, and (3) controlling special operations advances and safeguarding related documents. We are also making a number of recommendations to strengthen these policies and procedures.

Our objectives were to assess the adequacy of (1) safeguards over property seized in carrying out Customs' law enforcement program, (2) financial data used to maintain accountability for this property, and (3) safeguards used to control funds advanced to Customs' agents for the law enforcement program's special operations. Our work was performed